



Indiana Toll-Road Lease Sets a High Bar for Public-Private Partnerships

By Elizabeth Carolin



Left to Right: Editor in chief Nicholas Chesla presents the award to Ryan Kitchell, Indiana Finance Authority, and State Rep. Randy Borror.

With the GOP tipping the scales of power in both chambers of the General Assembly, Daniels had the leverage he needed to make things happen — quickly. He made the review of the state's assets a priority and set about looking for ways to privatize state functions and enterprises.

Bankers were already knocking on Indiana's door. The year before, Chicago had completed a \$1.82 billion transaction to lease the Chicago Skyway — which links the city to Indiana — to international private investors. Eyes now turned to the 157-mile Indiana Toll Road, which runs from Illinois to Ohio, and the prospects for turning it into a so-called public-private partnership.

In little over a year, the state had reaped the largest lease-agreement payment for a public asset in the U.S. to date — \$3.8 billion. Indiana officials earlier this month took home one of several awards they've received for the precedent-setting transaction, receiving The Bond Buyer's Deal of the Year award for the category of most innovative nontraditional public financing.

The award acknowledges deals that fund traditional public finance projects without the use of municipal securities. It reflects the growing interest in privatization of public assets in general and the successful completion of the Indiana Toll Road lease in particular. The transaction also invigorated a growing industry niche, with states being courted by firms, bankers, and other muni finance professionals who see more such deals on the horizon.

For example, Mark Florian, a Goldman, Sachs & Co. banker, moved his operation to the firm's New York office from Chicago after completing the Skyway deal, fashioning a new path in his career from

In his inaugural speech in January 2005, Indiana Gov. Mitch Daniels, the state's first Republican governor in 16 years, vowed to straighten out the budget mess left by previous administrations.

the privatization of public assets. Florian became the key financial adviser to Indiana for the toll road project. Ice Miller LLP, the state's top ranking law firm according to Thomson Financial data, worked as the legal muscle on the transaction. Mayer, Brown, Rowe & Maw LLP, which also worked on the Skyway lease, was special tax counsel for the Indiana deal.

On Sept. 27, 2005, the state posted requests for proposals to lease the Indiana Toll Road, and began considering options for spending what it estimated could be a windfall of \$2 billion. The top option was to help fund a 10-year, \$10.6 billion transportation plan that until then had been a question mark for lawmakers. The money could also

be used to pay down \$220 million of outstanding transportation project debt.

The deadline for submitting bids was Jan. 20, 2006, a Friday. Officials had hoped for that "blow-



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